



North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES



2018 Proposed Benefit Design Changes

Board of Trustees Meeting

Note: This presentation primarily focuses on plan options for Active Employees and Non-Medicare Retirees due to timing of Medicare Advantage rate renewals.

March 22, 2017

A Division of the Department of State Treasurer

Presentation Overview

- Focus and Priorities
- Benefit Plan Options for Active Employees & Non-Medicare Retirees
- Wellness Premiums & Credits
- Subscriber Premiums
- Dependent Premiums
- Stork Rewards Program
- Financial Impact of Proposal
- Priority for Using Future Savings
- Board Action

Note: The proposed benefit changes primarily focus on plan options for Active Employees and Non-Medicare Retirees due to timing of Medicare Advantage rate renewals.

Focus and Priorities

- Reduce Complexity
- Improve Value
- Provide Certainty
- Make Family Coverage Affordable
- Ensure Financial Sustainability
- Preserve Benefits and Reserves
- Address Long-term Retiree Health Liability

Benefit Plan Options for Active Employees and Non-Medicare Retirees

Note: Premiums and benefit designs for the Medicare Advantage plan offerings will be determined at a later date due to timing of Medicare Advantage rate renewals.

Proposed 2018 Plan Options

Reduce complexity and promote long-term financial stability by eliminating the Consumer-Directed Health Plan (CDHP 85/15):

- The benefit design, which includes a deductible and coinsurance with a health reimbursement account (HRA) and various incentive programs, is complex and requires a high level of engagement and health literacy.
- Despite the CDHP 85/15 having the highest actuarial value among plan options available to active employees and non-Medicare retirees, members prefer the copay-based plans.
 - Available since 2014, current enrollment is 6.5% of eligible subscribers.
- As noted in the *Optimized Enrollment Analysis* presented to the Board in December 2016, if all members had selected the “lowest cost plan” (and did not change their utilization patterns), the Plan would have spent nearly \$270 million more in CY 2015.
 - The analysis determined which plan design would have resulted in the lowest cost for each member in Calendar Year 2015 (i.e., optimal enrollment) and considered both member premiums and out-of-pocket costs when services are utilized.

Note: Elimination of the CDHP 85/15 includes the Health Engagement Program incentives for the Healthy Lifestyles and Positive Pursuits components.

Wellness Premiums & Credits

Proposed 2018 Wellness Premiums & Credits

Reduce complexity and improve the member experience by simplifying the wellness premiums and credits:

- Reduce the number of wellness premiums and credits from 3 to 1
- Retain tobacco attestation only
- Increase the monthly tobacco wellness premium and corresponding credit from \$40 to \$60
- Apply tobacco attestation to all plan options for Active Employees
- Retirees will not be required to complete the tobacco attestation or pay a premium for the 70/30 plan

Note: Members on the 80/20 plan will continue to receive a copay reduction for using their selected primary care physician.

Subscriber Base Premiums

Proposed 2018 Subscriber Premiums

Expand the use of subscriber premiums to create a more balanced approach for spreading cost increases across the population and promoting long-term financial stability

- Subscriber (i.e., employee/retiree) premiums spread the impact of cost increases or required savings over the entire population
- The simplified wellness premium and credit structure for the tobacco attestation would be combined with the following monthly subscriber premiums for active employees and non-Medicare retirees.*

Active Employees & Non-Medicare Retirees *	70/30 Plan	80/20 Plan
Monthly Subscriber Premium	\$25.00	\$50.00

** Non-Medicare Retirees will not be required to complete the tobacco attestation or pay a premium for the 70/30 plan.*

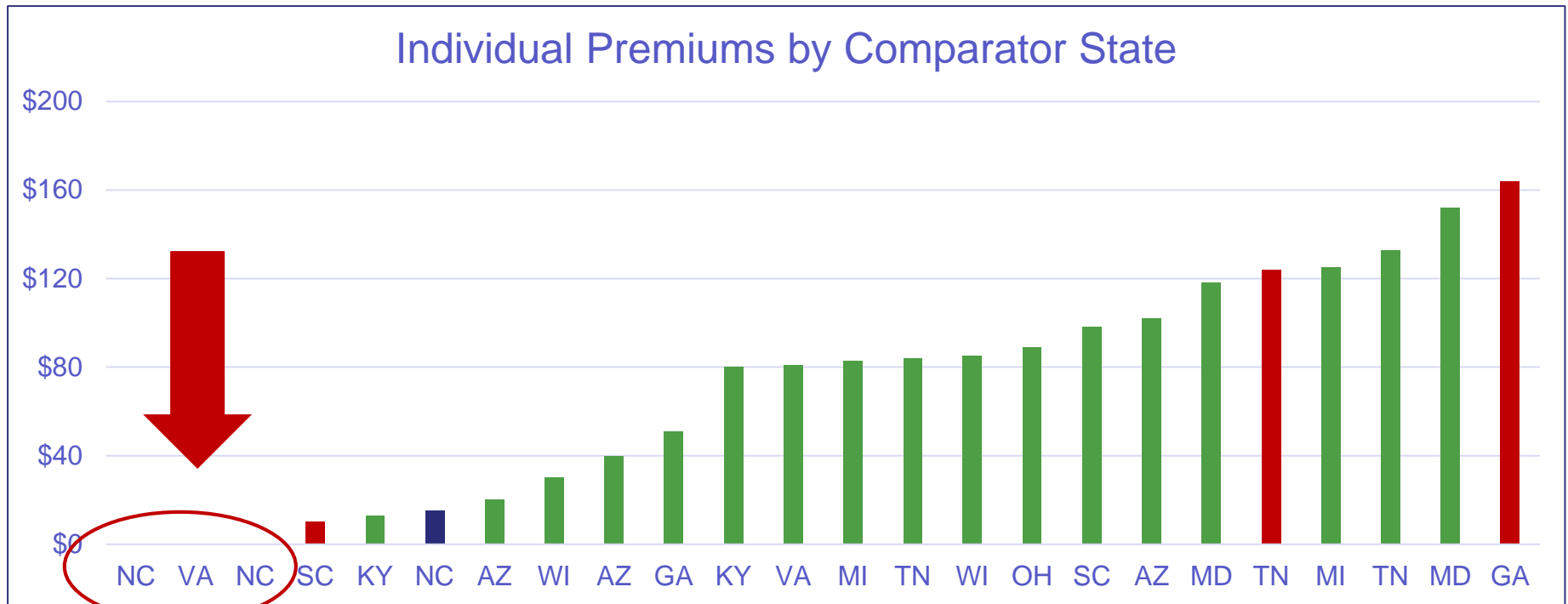
Expand Subscriber Base Premiums

- Changes to the various benefit plans over the past several years have focused entirely on cost sharing – with the effect of concentrating cost increases among those who require health care services
- Board members have expressed a desire to better spread risk across the Plan population by establishing base premiums for employees on all the plan options
- Premium rates linked to plan value:
 - Allows for differential pricing of the benefit options
 - Mimics pricing in the health care insurance market – higher value plans (i.e., lower cost sharing requirements) are more costly (i.e., higher premiums)

Note: G.S. 135-48.40(a) requires the Plan to offer a “noncontributory” or premium free plan to retirees.

Employee Premium Structure Relative to Comparator States

The *Comparative Analysis of State Health Plans* presented in January 2017 shows that only one other comparator state (Virginia) has a \$0 employee premium offering.



- The chart above shows the individual premium rates charged by various states
 - **Red** bars indicate plans less rich than NC's 80/20 plan (**blue** bar) and the **green** bars indicate plans with richer benefits
- Members in other states may receive richer benefits but pay significantly higher premiums in many cases

Current 2017 Subscriber Premium Rates and Credits

Subscribers can reduce premiums by earning credits through the completion of three activities (i.e., tobacco attestation, select a PCP, complete health assessment).

Active Employees & Non-Medicare Retirees *

	70/30 Plan*	80/20 Plan	CDHP 85/15
Total Monthly Subscriber Premium	\$40	\$105.04	\$80
Tobacco Premium Credit	(\$40)	(\$40)	(\$40)
PCP Premium Credit	n/a	(\$25)	(\$20)
Health Assessment Premium Credit	n/a	(\$25)	(\$20)
Net Subscriber Premium After Credits	\$0	\$15.04	\$0

* Non-Medicare Retirees are not required to complete the tobacco attestation or pay a premium for the 70/30 plan.

Proposed 2018 Subscriber Premium Rates and Credits

- The simplified wellness premium and credit structure for the tobacco attestation would be combined with the subscriber premiums for active employees and non-Medicare retirees.*
- Subscribers can reduce their total premium by completing the tobacco attestation to earn a \$60 premium credit.

Active Employees & Non-Medicare Retirees *		
	70/30 Plan*	80/20 Plan
Total Monthly Subscriber Premium	\$85	\$110
Tobacco Premium Credit	(\$60)	(\$60)
Net Subscriber Premium After Credits	\$25	\$50

* Non-Medicare Retirees will not be required to complete the tobacco attestation or pay a premium for the 70/30 plan.

Dependent Premiums

Proposed 2018 Dependent Premiums

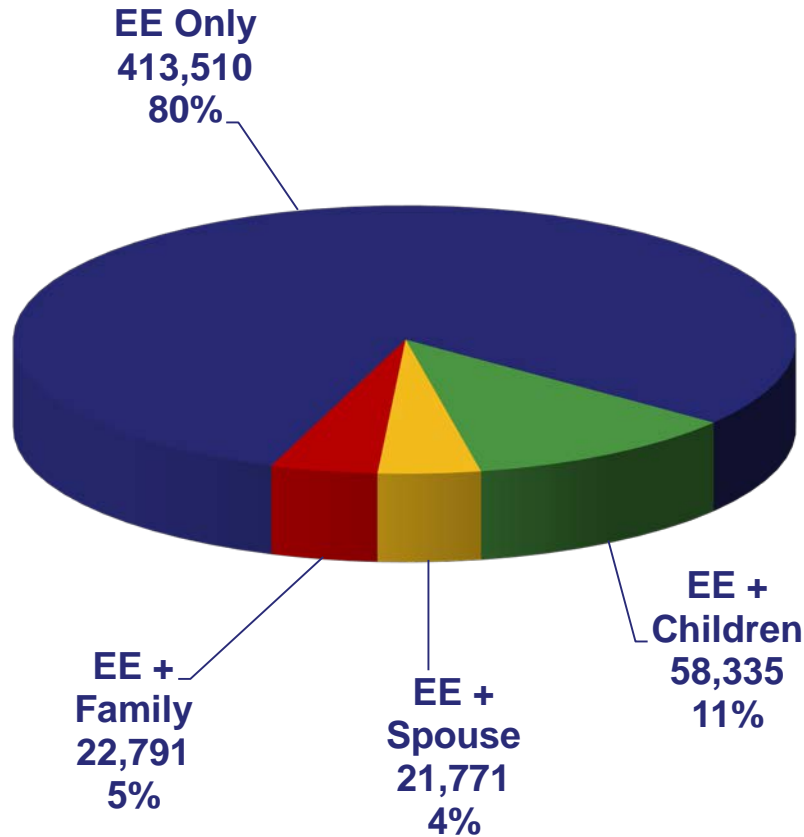
Freeze family premiums at the 2017 level as the initial step to improving the affordability of Plan benefits for families and attracting younger, healthier members.

- North Carolina’s contribution strategy has differed from most other states
 - Employee/retiree-only coverage is highly subsidized by the state, while dependent coverage is not
 - Employees/retirees are responsible for paying the “full premium cost” of dependent coverage
 - The state’s employer contribution for employee/retiree coverage effectively provides an indirect, but relatively low subsidy
 - As such, dependent enrollment is low, with 80% of employees/retirees selecting employee only coverage

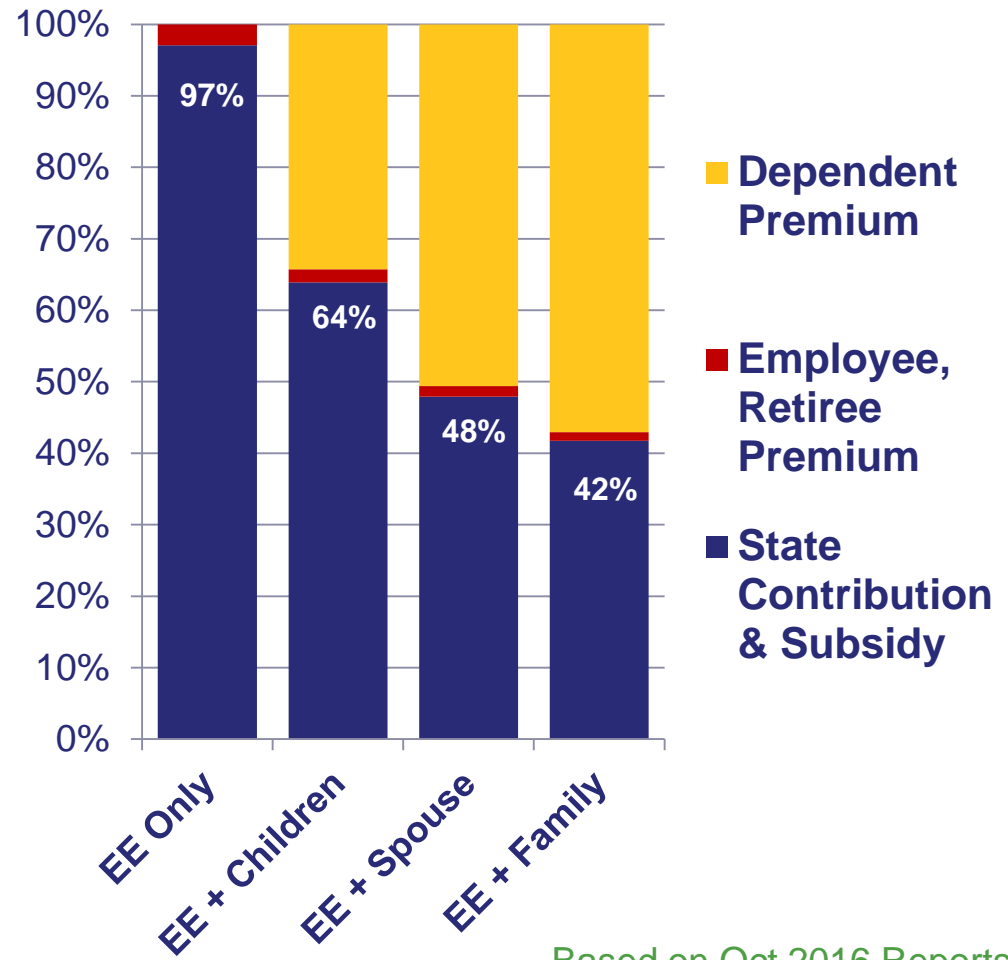
2017 Employee/Retiree + Family Premiums for Active Employees & Non-Medicare Retirees	70/30 Plan	80/20 Plan
Monthly Premium	598.70	\$708.72

Subscriber Enrollment and Premium Receipts by Tier

Subscriber Enrollment by Tier



Allocation of Total Premiums by Tier



(EE = Employee/Retiree)

Based on Oct 2016 Reports

Estimated 2016 Monthly Premium Collections by Tier

Coverage Tier			Total Monthly Contributions							
			Employer Contributions		EE Premiums		Dependent Premiums		Total Premiums	
Subscribers	%	Col %	Col %	Col %	Col %	Col %	Col %	Col %	Col %	
EE Only	413,510	80.1%	\$177,088,248	79.6%	\$5,347,694	80.2%	\$0	0.0%	\$182,435,942	68.5%
EE + Child(ren)	58,335	11.3%	\$26,595,289	12.0%	\$768,587	11.5%	\$14,258,361	38.3%	\$41,622,236	15.6%
EE + Spouse	21,771	4.2%	\$8,465,560	3.8%	\$255,959	3.8%	\$8,941,088	24.0%	\$17,662,607	6.6%
EE + Family	22,791	4.4%	\$10,273,647	4.6%	\$299,856	4.5%	\$14,045,242	37.7%	\$24,618,745	9.2%
TOTAL	516,407	100.0%	\$222,422,743	100.0%	\$6,672,096	100.0%	\$37,244,691	100.0%	\$266,339,530	100.0%
			83.5%		2.5%		14.0%		100.0%	

Coverage Tier			Total Monthly Contributions					
			ER Contributions		EE Premiums		Dependent Premiums	
Subscribers	Row %	Row %	Row %	Row %	Row %	Row %	Row %	
EE Only	413,510	97.1%	\$177,088,248	2.9%	\$5,347,694	0.0%	\$182,435,942	100.0%
EE + Child(ren)	58,335	63.9%	\$26,595,289	1.8%	\$768,587	34.3%	\$41,622,236	100.0%
EE + Spouse	21,771	47.9%	\$8,465,560	1.4%	\$8,941,088	50.6%	\$17,662,607	100.0%
EE + Family	22,791	41.7%	\$10,273,647	1.2%	\$14,045,242	57.1%	\$24,618,745	100.0%
TOTAL	516,407	83.5%	\$222,422,743	2.5%	\$37,244,691	14.0%	\$266,339,530	100.0%

Sources: MEM001-2016-1031 (BCBSNC membership report); Humana and United Medicare Advantage invoices (prepared by COBRAGuard)

EE = Employee/Retiree

Stork Rewards Program

Proposed Phase Out of Stork Rewards Program

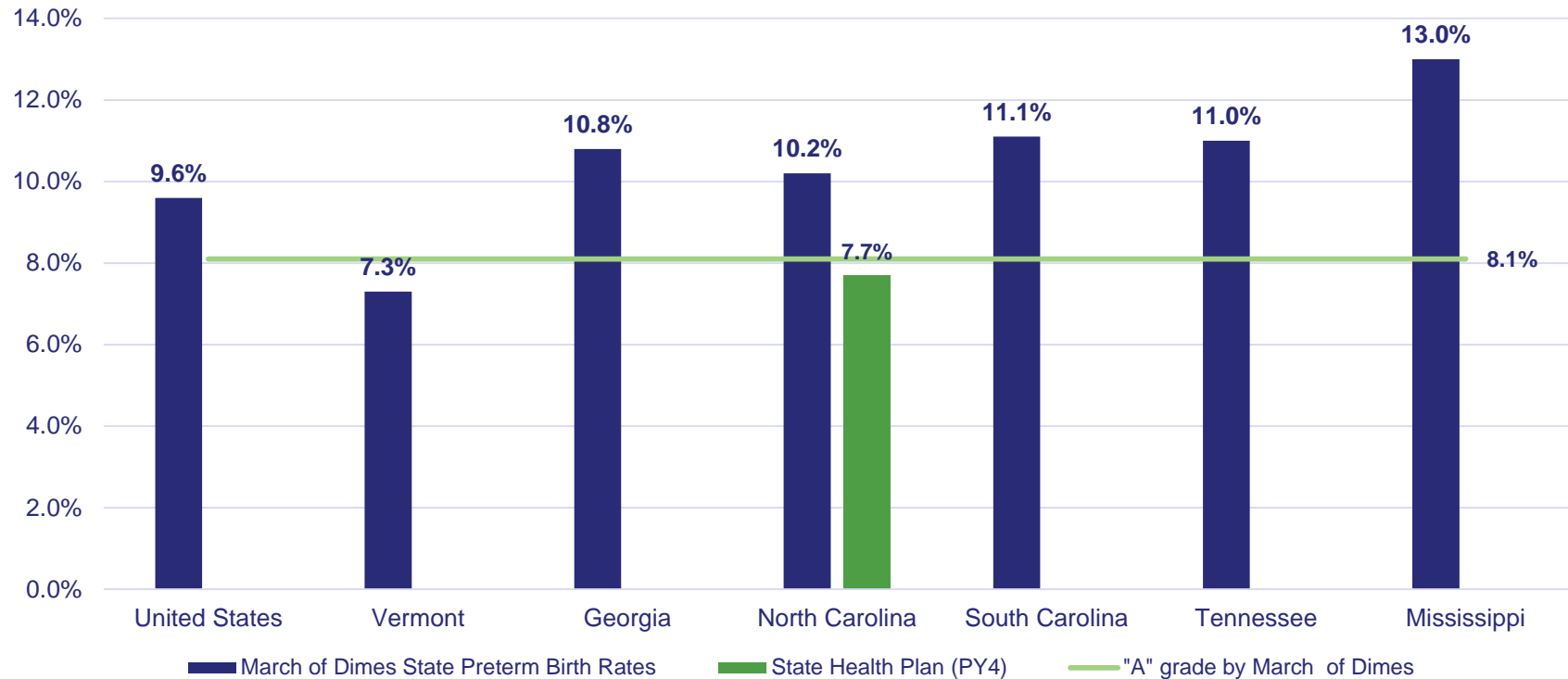
Discontinue enrollment in the Stork Rewards incentive program after March 31, 2017, to phase out the program by the end of the 2017 benefit year.

- Program has not shown any consistent or significant Return on Investment (ROI) over the 5 years it has been offered to members.
- The incentive component, by itself, has not shown any impact on adverse newborn outcomes (pre-term births, low birth weight babies, and/or Neonatal Intensive Care Unit (NICU) admissions). There has been a very small but significant change over time in antenatal outcomes. There has been a significant increase in engagement of members in the incentive program.
- Last year, the program cost the Plan \$1,038,450 and is projected to increase to \$1,659,878 in the current year.

Adverse Newborn Outcome, Preterm Births

- The adverse newborn outcome rate among Plan members is already low.
- 97% of pregnant Plan members are already engaged with their Ob/Gyn when they first interact with their maternity coach.

2015 Preterm Birth Rates



Financial Impact & Priority for Savings

Financial Impact of Proposal

Four-Year Smoothed Premium Increases, Maintain Reserves

	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021
Premium Increase		6.96%	6.96%*	6.96%*	6.96%*
Year-End Cash Balance	\$834 m	\$839 m	\$877 m	\$875 m	\$834 m
Employee/Retiree Premiums - Increase from Prior CY		\$175.2 m	\$0.0 m	\$0.3 m	-\$0.8 m

* premium increase would only be applied to the employer contribution

Increases from Prior FY	FB 2017-19		FB 2019-21	
	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Employer Contributions	\$134.1 m	\$196.1 m	\$208.5 m	\$221.8 m
General Fund Contribution	\$107.3 m	\$156.9 m	\$166.8 m	\$177.5 m

Forecast Model Assumes:

- \$60 tobacco surcharge[^], but elimination of health assessment and PCP selection wellness activities
- Base employee/retiree[^] premiums for CY 2018: \$25 for 70/30 and \$50 for 80/20
- Premiums for EE + Family tiers for CY 2018: Remain at CY 2017 level
- Premiums for EE + Spouse & EE + Child(ren) tiers for CY 2018: Increase 6.96%
- Premiums for employee/retiree and dependent coverage tiers remain at CY 2018 levels through CY 2021
- Projected CY 2017 year-end cash balance retained over the four years

[^] Retirees will not be required to complete the tobacco attestation or pay a premium for the 70/30 plan.

EE = Employee/Retiree

Share of Premium Collections

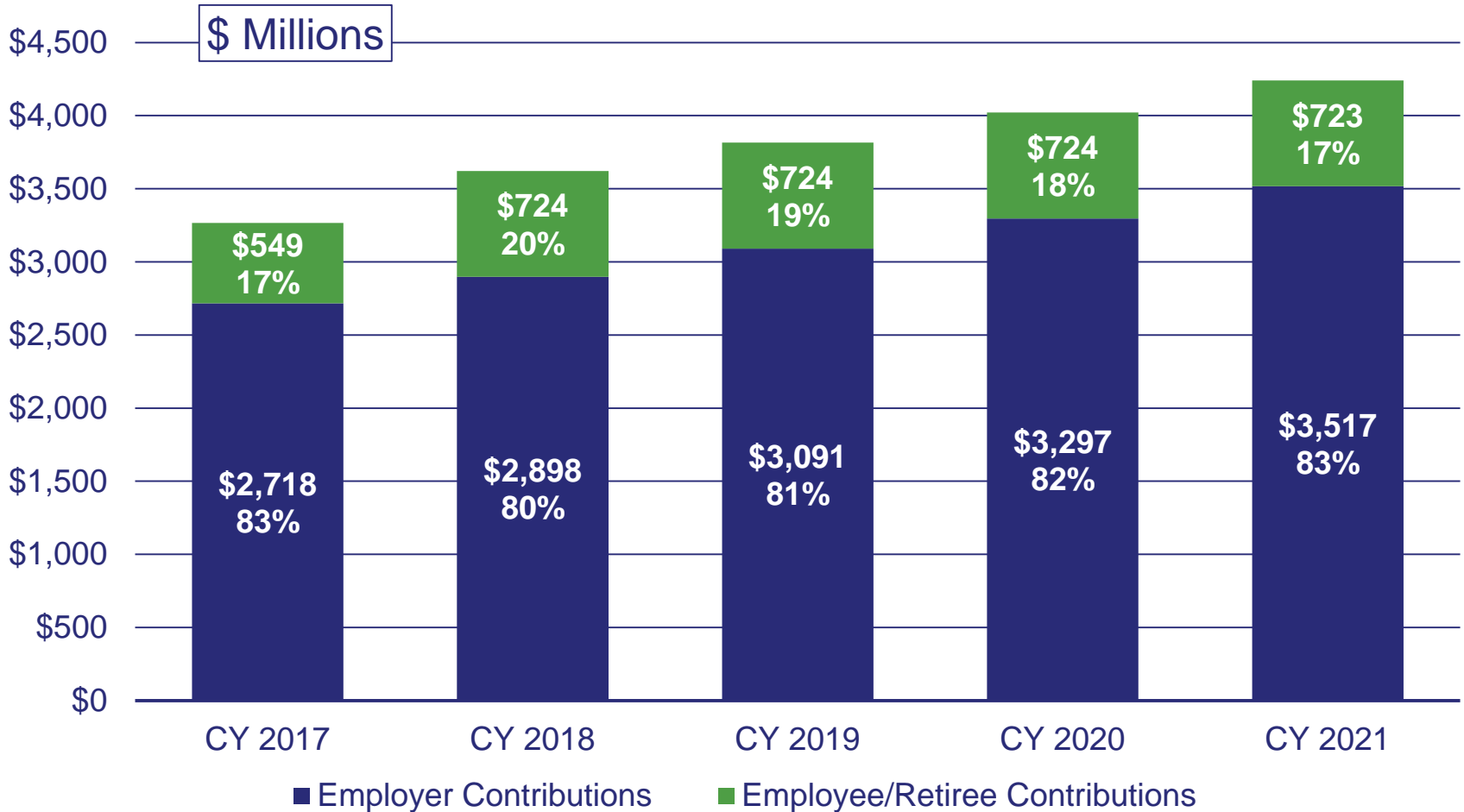


Chart assumes 6.96% annual increases in employer contributions from CY 2018 through CY 2021 and forecast model described on previous page.

Priority for Using Future Savings

1. No additional increases to the employee and dependent premium rates through 2021
2. No increases to member cost sharing (i.e., copays, deductibles, coinsurance maximums) through 2021
3. Increase the subsidy for family premiums
4. Reduce the unfunded liability for retiree health benefits

Board Action

Board approval of the following changes is requested, effective January 1, 2018, unless otherwise indicated:

1. Eliminate the CDHP 85/15 plan offering.
2. Reduce the number of wellness premiums/credits from three to one, by retaining only the tobacco attestation requirement on the 70/30* and 80/20 plans.
 - Subscribers who are not tobacco users or enroll in a Plan-approved tobacco cessation program will receive a \$60 credit toward their monthly premium.
3. Charge the following subscriber premiums:
 - 70/30 Plan* = \$25.00
 - 80/20 Plan = \$50.00
4. Freeze premium rates for the family coverage tier on the 70/30 and 80/20 plans at the 2017 level.
5. Discontinue enrollment in the Stork Rewards Program March 31, 2017, to phase out the program by the end of 2017.

** Retirees will not be required to complete the tobacco attestation or pay a premium for the 70/30 plan. Premiums and benefit designs for the Medicare Advantage plan offerings will be determined at a later date due to timing of Medicare Advantage rate renewals.*